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Attaining the effective customer care model in retailing organisations

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DECLARATION

Hereby I declare that this diploma thesis I wrote myself under the supervision of
Ing. Richard Selby

All references used in connection with this work are listed in the bibliography

In Prague, April 14th, 2009

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Le Huu Lam

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Souhrn

V maloobchodnickém průmyslu je možno zpozorovat tvrdou konkurenci mezi maloobchodníky, kteří se snaží uchytit a vyvíjet se v daném tržním segmentu a pokračovat tak v maloobchodnickém cyklu. Maloobchodníci musí vytvářet zisk, který pak budou znovu investovat a uspokojovat své stakeholdery. Před mnoha lety byla v síla v rukou výrobců a ta se pak posouvla do rukou maloobchodníků a nyní se trend znovu změnil a tato síla je v rukou zákazníků. Zákazníkovy potřeby a vnímání se mění s demografickými, věkovými, kulturními a příjmovými změnami. S podporou technologie, komunikace a internetu zákazník má dokonalejší informace o produktu jako o jejich funkci, typech, kvalitě a životnosti. Maloobchodníci musí rozumět své cílové zákazníky a uspokojovat je svými výrobky a službami, aby mohli přežít a dál se vyvíjet.

Efektivní model řízení vztahů se zákazníky maloobchodu nepoužívá své zdroje jen ekonomicky, ale také k tomu, aby zákazníci mohli získat více, než očekávali, aby byli věrní a cítili se být součástí maloobchodu. Z výzkumu několika maloobchodů studium ukazuje jaké části tohoto modelu jsou nejdůležitější a jak uspokojují zákazníky a dělá je věrnými ve vietnamských maloobchodech. Požitím efektivního modelu může maloobchodník zvýšit spokojenost zákazníků a neustále tuto spokojenost zvyšovat.

Summary

In the retailing industry, there is harsh competition among retailers to seize market segment to grow and to continue the retailing cycle. Retailers have to make a profit to reinvest and satisfy their shareholders. The power shifted from producers to retailers many years ago and the trend is the power shifting from the retailer to the customer. Customer tastes and needs are changing with the changes of demographic, age, culture, and income. With the support of technology, communication and the internet the customer has more perfect information about products such as functions, types, quality, and durability. To survive and grow retailers have to understand their target customers and satisfy them with products and services.

An effective customer care model of a retailer does not only use its resources economically, but also allows customers to get more than their expectations, make them be loyal and feel themselves to be a part of the retailer. From exploring some retailers, the study discusses and points out what the most important parts of the customer care model are and how these satisfy customer and make them loyal in a Vietnam retailer. Therefore, by applying an effective customer care model, the retailer can increase customer satisfaction and keeps continually growing.

Klíčová slova

Řízení vztahů se zákazníky, spokojenost zákazníků, maloobchodník, maloobchodnický průmysl, zákaznické servisy, model řízení vztahů se zákazníky

Keywords

Customer care, customer satisfaction, retailer, retailing industry, customer services, customer care model

Chapter 1: INTRODUCTION

Retail is the activity that retailer offer goods and services to customer. This activity appears when people have needs. The traditional way of retailing is customer seeking retailer. When customers have needs, they look for what products fulfill their needs. They summarize their information about the products, brand, price, suppliers and location. They will decide where to buy after consideration, past experience, references and so on.

Nowadays, the information evolution has changed the way of retailing. The power shifts from retailers to customer. To survive, retailers have to understand the targeted customers, what their needs are and influence the customer acknowledgement. Retailers use internet as a cheapest tool to broadcast information of goods and services that they provide.

The informative evolution has changed the way of living and retailing industry has been changing with the changing of customer lifestyles, tastes and incomes. In the early stages of development Vietnamese retailing market is prospecting market with the young population, with loosening tariffs and legal barriers. Vietnamese retailing market is becoming the most attractive retailing market in the world.

Some giants in retailing industry in the world have been carrying out their strategies to enter market share in Vietnam such as Metro Cash & Carry (Germany), Bourbon (France), Parkson (Malaysia), Lottle (South Korea). With the strengths of capital, experience, and technology in global retailing industry they are gaining their position in Vietnam retail market.

Hapro, a state-owned company has been operating under the mother and daughter company in Vietnam retailing market and exporting for five year. With new strategy to focus on domestic retailing market, the company has been investing its resources to extend capacity, improve overall operating efficiency and effectiveness. The brand Hapromart is one of the most famous retailers in Vietnam retailing market.

Chapter 2: OBJECTIVES OF THESIS AND RESEARCH METHODOLOGY

2.1 Rationale

The reason I chose the customer care model in retailing industry is that I am very curious to know how to entrepreneur an organization to be a leading retailer and wish to build my own stores. As far as the topic and the company are concerned I chose it because this would give me an opportunity to expose myself to both theoretical as well as practical.

2.2 Statement of problems

Number of customers is the measures of how well a retailer operates. The customer keeps shopping in a store only if the store provides products and services that meet or exceed their expectations or they are the best in the area. Customer care is understanding what customers want, need, think and feel. Then identify why customers leave and how to prevent it.

An effective customer care model can actually increase number of loyal customers and grow business in a more efficient fashion.

2.3 Objectives of study

The objectives of the study are as follows:

To bring out the concept of customer, retailing and customer care

To explore into the ingredients of the customer care model in Vietnam retailing industry

To indicate how to achieve an effective customer care in Vietnam retailing market

2.4 Scope and limitations

Scope: The paper intends to explore the meaning of customer, retailing industry bringing out key components and elements of a customer care model. Further, the paper intends to bring out and explain two particular theories on which this study critically rests upon, namely:

- Retail sale process tailored with customer purchase decision making
- Est model.

Limitations: Like any other academic research paper this one also is not conclusive in all aspect as it faces some limitations, namely

- Limitation to the availability and access of corporate information – trade secrets, confidentiality and corporate self-interest. The availability of information has greatly hampered the scope and sphere of this study. More or less all the companies cited or interviewed for the purpose of this research where reluctant in or refused to give out any information pertaining to their marketing or as a matter of fact any corporate information.
- Time constraint

2.5 Methodology

This study performs a case study qualitatively. It tries to explore the attributes of a good customer care and understand the extent of the satisfaction of the Vietnam customer in a particular retail stores. In interview of the relevant knowledgeable people from Hapro company provide the detailed information to understand the Hapro's retailing activity and other Hapro's business activities. Interviews are conducted at various levels of hierarchy and incorporated views of personnel working in various departments.

- **Primary data** It would consist of surveys and interviews of the companies cited in this study. Further, questionnaires will be employed in order to gather both qualitative and quantitative data.

Interviews: I use open questions to ask relevant people working in company in order to collect information needs and their opinion of a customer care and different questions.

The study also selects certain customers, gives them questionnaires to evaluate the company's customer care attributes.

- **Secondary data** will consist of information available on the Internet, journals, articles, and prior research and surveys.

2.6 Research Framework

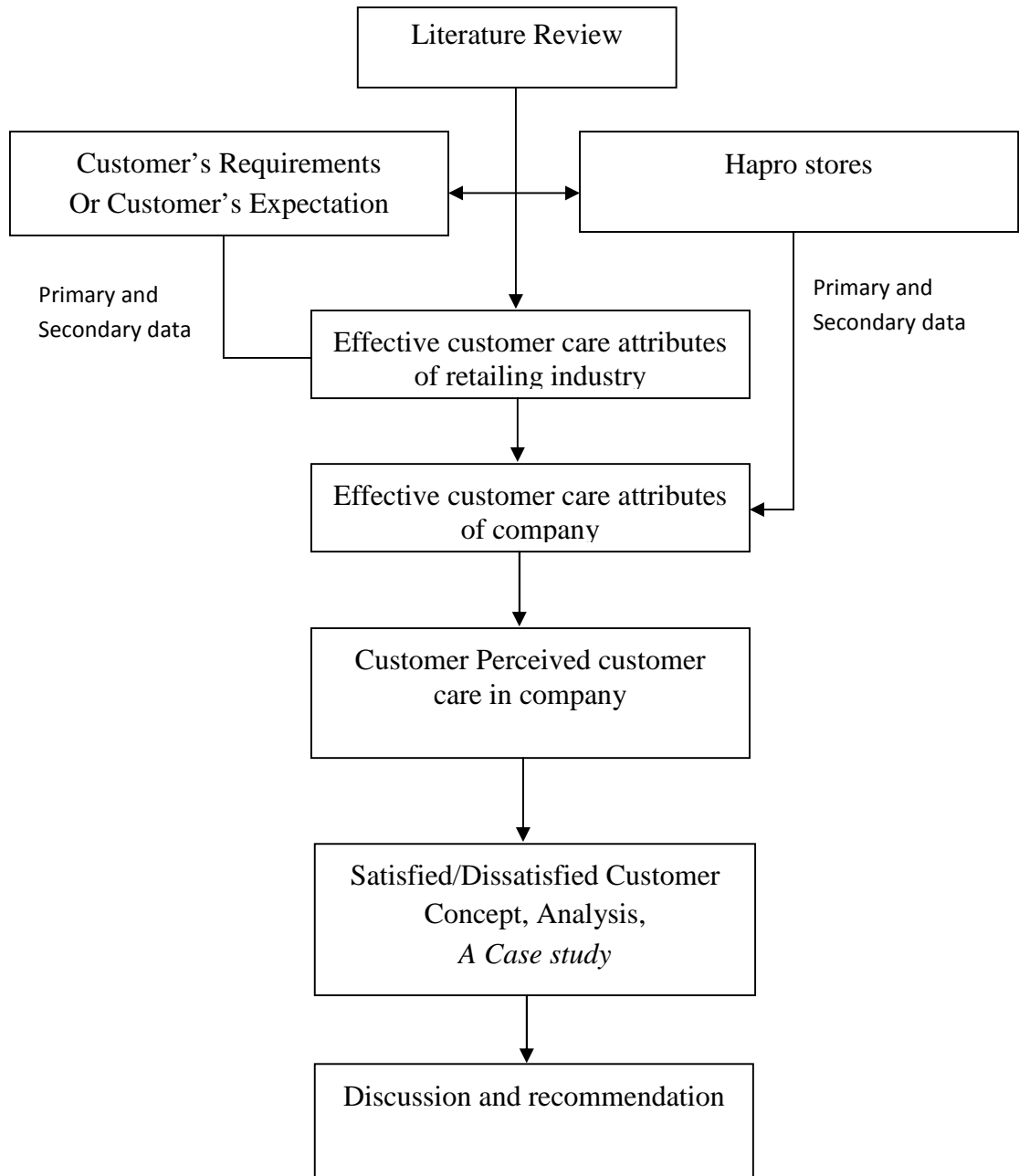


Figure 2.1 Research framework

III LITERATURE REVIEW

3.1 CUSTOMER

3.1.1 Retail customer

We, people live on the earth, always have wants and needs. From needs to sustain to want to express ego, each individual has different way of approaching their needs. Because of our habits, hobbies, purposes and financial capacity, we will choose products and services to satisfy our needs and wants. In the convenient way, we can buy most of things we need in retailing stores such as supermarket, shopping centre...

Retail customers are individuals who having or will have needs of things from retail stores.

When a customer has a desire of something, the customer will enter a purchase decision process. "What to buy" is the first question, involves choosing among the various products, brands, quantity, and price. Then the customer might decide where to buy, how to buy. The choice may be a shop near the house or store in shopping centre or in a virtual store in the internet. The order process may be made in a store, or by phone or on internet. The payment can be in cash or using credit. "When to buy" is very important to retailer because it is the time retailer can sell product from stores, get money from customers. Many marketing strategies are focus on this question by slogans such as "buy now", or "do not hesitate it is yours". Not only by slogans there are many ways of motivating customer to buy more in stores. Financial benefits with the symbol of scissors are introduced by Tesco's supermarkets when the products prices change. Or Wal-Mart, according to the quality of Chinese goods they requires certificate of goods met the standards. All of us know Chinese goods are very cheap but the quality is usually under the expectation.

The central question for marketers is: how do consumers respond to various marketing stimuli that the company might use? The retailer that really understands how consumers will respond to different product features, prices and advertising appeal has a great advantage over its competitors.

3.1.2 Customer needs and motives of buying decisions

According to Maslow hierarchy of needs (figure 3.1- http://en.wikipedia.org/wiki/Maslow%27s_hierarchy_of_needs, 2009), at any given time a person may have a number of needs, probably cannot act on all of them at the same time. The hierarchy of needs create the primary motives of purchasing. Foods and drink are necessary for physical sustenance. The kinds of foods and drink a person chooses, depends on the person and situation. Then we have other primary motives such as cosiness, safety, personal attractiveness, social approval, and so on.

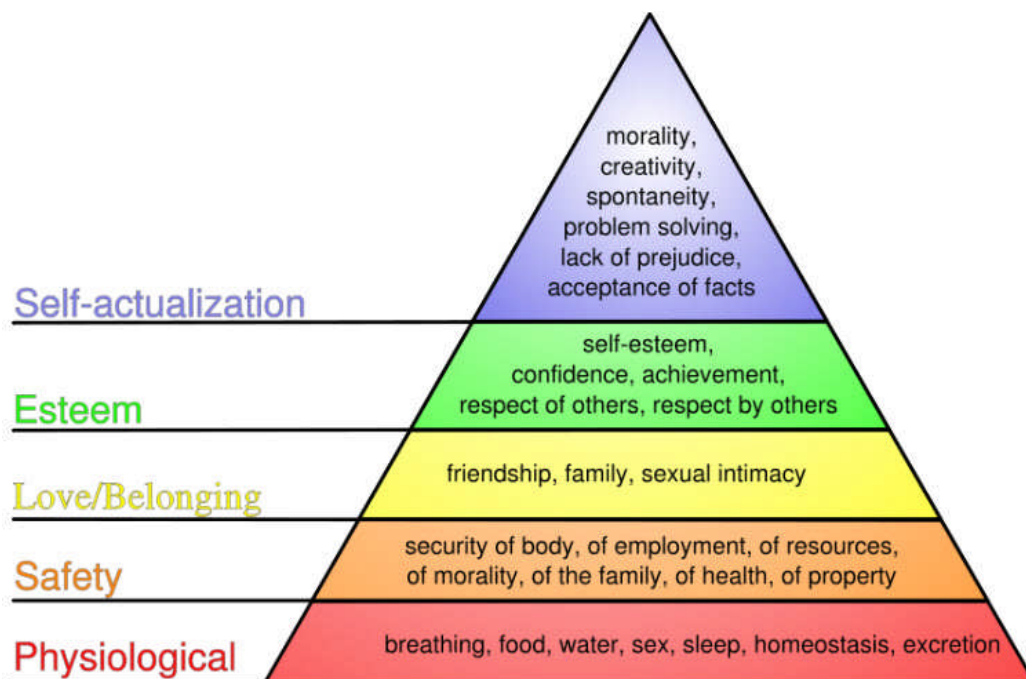


Figure 3.1: Maslow's hierarchy of needs

In addition to these primary motives customers may have needs associated with secondary motives such as bargains, information, knowledge, cleanliness, efficiency, convenience, dependability and quality, economy and curiosity. These secondary motives help us understand the behaviours of individual shoppers in their daily interaction with others. They reflect consumer culture and not constant across nations and regions.

Patronage motives, are underlying influencing forces on customer choice of a store, are objective characteristics of store that retail manager want to. Patronage motives are classified into the following categories: price/value, merchandise,

assortments, varieties, and brands; location, convenience, parking, accessibility; and atmosphere, store image, services added, friendly and helpful sale-staff (Hasty, 129)

3.1.3 Purchase decision process:

When an individual have a specific need of a product or a service, he or she will find the relevant information about product and service, compare the alternatives available to them, and then make final decision. The purchase decision process include six stages as the figure 3.2 (Hasty, 151) shows

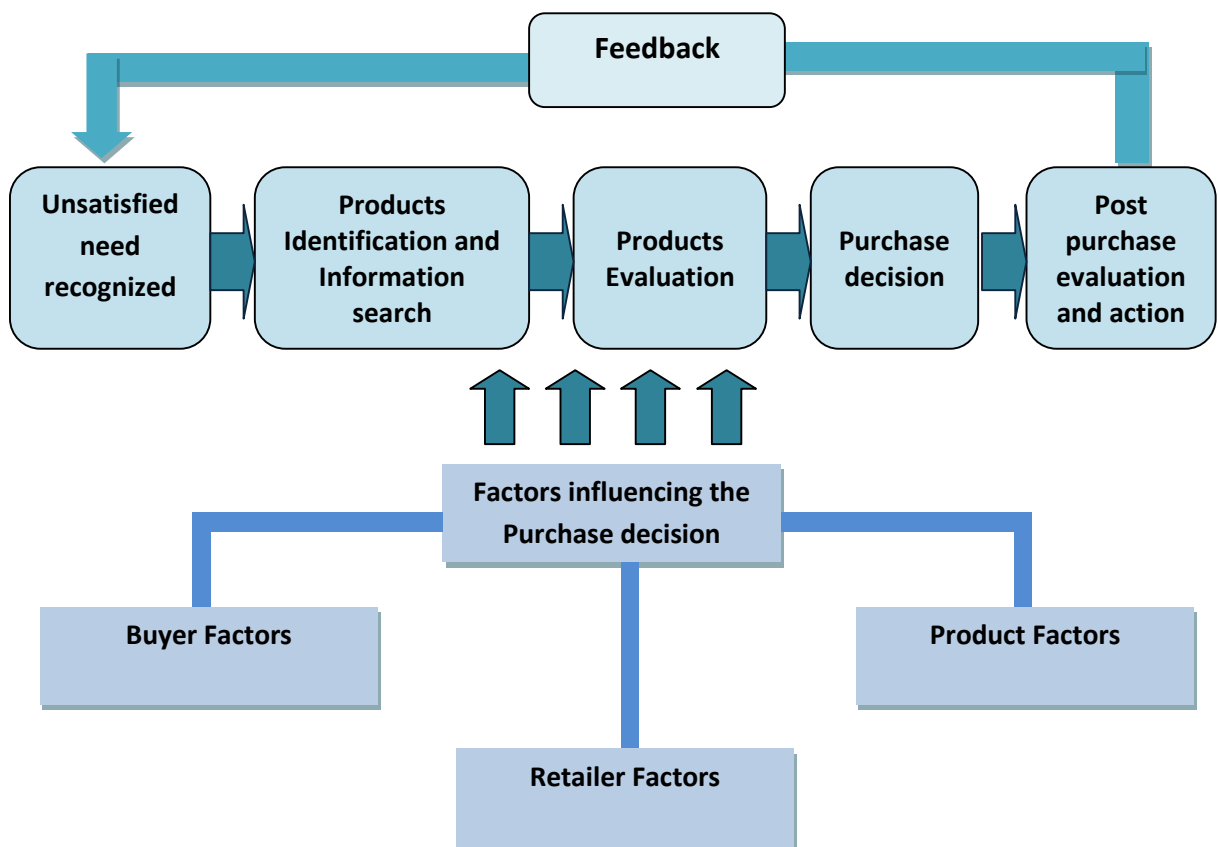


Figure 3.2: Purchase decision process

After going through six stages a consumer will decide what to buy, where to buy, how to buy, and when to buy product or service.

There are many factors that influence purchase decision process.

- Buyer Factors: demographic, economic, cultural and social, and psychological
- Product Factors: features and specification, service, and manufacturer's quality image

- Retailer Factors: brand, promotion, store sale staff, product diversity, price, store location and store atmosphere

Depending on their experience of the customer, the customer's purchase decision-making is less or more important:

- Routine decision making: The customer buys things from habit. The items are chosen which the customer had experience with the product and brand, retailer's store and price. These items are usually in low price and regularly purchased such as bottle of beer, a cake. The purchase decision-making is not essential.

- Limited problem solving: When customer has limited experiences or the product is more expensive or purchased less frequently. The customer may seek or compare information of products, stores and prices. The purchase decision-making is considered.

- Extensive problem solving: The purchase decision-making is important when a customer considers new or very infrequently purchased product. For example, a car or a computer, the customer will spend more time to search information and evaluate products, services and prices. Customers are very careful to make final decision

3.1.4 Customer satisfaction

Customer satisfaction is a measure of how products and services supplied by a retailer meet or surpass customer expectation

(http://en.wikipedia.org/wiki/Customer_satisfaction, 2009)

Customer expectation is the expectation of customer about a product that they will purchase and retailer's service during their purchasing process. It could be a product or may be variety of products from a small value pen to an expensive computer and it depends on the customer needs.

Customer expectation of a product is the value which product gives customers when using it. The value product is the core value, functional value that benefits customer. For example, when customer bought a pen, the customer needs the pen can be used to write. Of course, the customer had an expectation that the pen will be functional and maybe the additional emotional benefit of using it.

Customer expectation of retail services are the personnel services, physical aspects (product lay-out, store atmosphere and store location), policies and reliabilities.

A research about customer satisfaction in Vietnam supermarkets “Determinants of retail service quality – A study of supermarkets in Vietnam” by Nguyen Dang Duy Nhat and Le Nguyen Hau shows for Vietnam consumers personnel services is the most important factor in retail services that make customer satisfaction.

Focusing on customer satisfaction, retailer will create the good customer experiences. When a customer is satisfied, the ability of returning for shopping again of customer will be higher. Hence, retailers might have more loyal customers

Lifetime value of a customer is the monetary value of all the sales retailer receives from a given customer over the lifetime of him. For example, a regular customer of a grocery spends 100 US\$ a month for foods, beverage and confectionary. If the customer continues shopping at the grocery for a year, the lifetime value of the customer will be 1.200 US\$. Therefore, the more loyal customers the retailer has, the more revenue it gets.

3.1.5 Types of customers

There are many ways to classify retail customers, according to the customer behaviour to retailer we can classify them to

Loyal Customers: They are customers who usually shop at the determined retailer stores. When they have specific needs of grocery, confectionary or other things, they will think about the retailer stores then go there for things satisfy their needs. The retailer needs to be communicating with these customers on a regular basis by talking at stores, telephone, mail, email, etc. These people are the ones who can and should influence the retailer’s buying and merchandising decisions. The loyal customer satisfaction is the object of implementing customer care. Also they can be referrals to potential customers

Discount Customers: This category helps ensure your inventory is turning over and, as a result, these people are a key contributor to your cash flow. This same group, however, can often wind up costing you money because they are more inclined to return product. In addition, Discount shoppers can many times be very vocal about pricing, selection, etc. while in the store. If overheard by other customers, it can result in lost sales. One way to control this is by ensuring your markdown area is located in a section of the store where conversations are less likely to be eavesdropped upon.

Impulse Customers: Clearly, this is the segment of our clientele that we all like to serve. There is nothing more exciting than assisting an Impulse shopper and having them respond favorably to our recommendations. We want to target our displays towards this group because they will provide us with a significant amount of customer insight and knowledge.

Need-Based Customers: People in this category are driven by a specific need. When they enter the store, they will look to see if they can have that need filled quickly. If not, they will leave right away. They buy for a variety of reasons such as a specific occasion or an absolute price point. As difficult as it can be to satisfy these people, they can also become loyal customers if they are well taken care of. Salespeople may not find them to be a lot of fun to serve, but, in the end, they can often represent your greatest source of long-term growth. It is important to remember that Need-Based customers can easily be lost to Internet sales. To overcome this threat, positive personal interaction is required, usually from one of your top salespeople. If they are treated to a level of service not available from the web, there is a very strong chance of making them Loyal customers.

Wandering Customers: For many stores, this is the largest segment in terms of traffic, while, at the same time, they make up the smallest percentage of sales. There is not a whole lot you can do about this group because the number of Wanderers you have is driven more by your store location than anything else. Keep in mind, however, that although they may not represent a large percentage of your immediate sales, they are a real voice for you in the community. Many Wanderers shop merely for the interaction and experience it provides them. Shopping is no different to them than it is for another person to go to the gym on a regular basis. Since they are merely looking for interaction, they are also very likely to communicate to others the experience they had in the store. (The sale hunter, 2009)

Therefore, retailer has to improve its store images in public, advertising, promotion, and take part in social activities. All parts of retailer will first to retain existing customers and then second lure potential customers to go into its stores.

3.1.6 Market segment

Market segment is a subgroup of people having common one or more characteristics that cause them have similar product or service needs. The needs and desires of people are unlimited and they are different from this individual to other individual. No retailer with limited resources can serve for all people. The markets can be divided according to a number of criteria. The segmentation is conducted using demographic, geographic, attitudes and behaviours. A small market is called niche market is the market in which a retailer sells its products and provides services without competition or competition is unremarkable. People who are in a niche market have similar desires of products and services. Therefore, a successful retailer has to find its niche market. It means the retailer develops its strategies to serve a group of customers who have some common characteristics then to be the best retailer in experience of customers.

3.2 RETAILING INDUSTRY

3.2.1 Overview of retailing

Retailing is the process of merchandising goods from manufactures to a retailer then the retailer sells goods and services to ultimate consumers. Retailing may include subordinated services, such as delivery, wrapping. A retailer buys goods or products in large quantities from manufacturers or importers, or wholesalers and then sells smaller quantities in stores or directly to the end-users. A simple supply chain graph of a T-shirt from a textile company to domestic customers

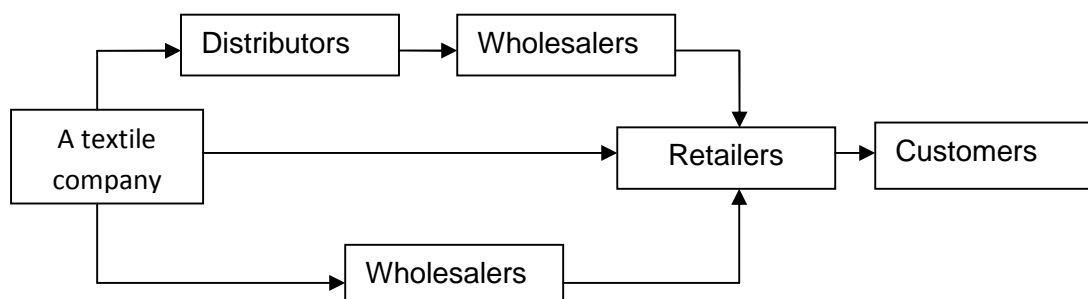


Figure 3.3: Simple supply chain

Reasons of retailing business exists are delivering to the customer the right products or services in the right quantities, at the right time, in the right place.

3.2.1.1 Types of retailers according to form of ownership

There are four types of retailers according to the form of ownership. The first type consists of independents who are not affiliated with other retail operations. Retailer is a sole proprietorship and partnership which owns a store, for example a boutique shop, souvenir shop or a bar... are first type retailers

The second is corporate retail chain which is made up of multiple retail units under common ownership and management. Corporate retail chains may vary in size from two stores to organizations with hundreds of outlets. Tesco, Billa and Makro are corporate chains.

The third is associations of independent retailers. Many independent retailers voluntarily associate with manufacturers, wholesalers, service firms, or other retailers to gain some advantages of a corporate chain while still maintain their individual ownership. There are two kinds of association of independent retailers, cooperative chain and voluntary chain.

Another of association of independent retailers is created by franchise agreements. Many independent retailers are members of franchise systems sponsored by manufacturers, distributors, and service firms. However, owners of franchised retailers give up a lot of rights as independent retailer when they sign the contract.

The last type of retailer is consumer cooperatives. Consumers are owners and managers of retail stores.

3.2.1.2 Types of retailing and types of stores

We can see around us many buildings with different available stocks from small villages to huge cities supplying for our needs. Those buildings are called retailing stores or shops. They are classified according to their assortment and variety of merchandise into following types:

- General line retailing: refers to retailing operations that in stores carry a wide variety of product lines with deep assortment in some product lines. It includes department stores, discount stores, membership warehouse stores, and variety stores

- Limited-line retailing: refers to retailing operations that in stores carry a considerable assortment of goods within only one or a few related product lines. It includes specialty stores, boutiques, and category dominant limited-line stores.

- Factory outlets: are the stores of manufacturers where they sell their products. Usually, the prices of products in factory outlets are lower than they are in retailing stores.

- Food retailing: refers to operations that carry food product to customers. It includes supermarkets, groceries, and combination of food retailing to general-line retailing which are superstores, membership warehouse stores, convenience stores, discount stores and new type of store format neighbourhood market.

Also, the selling of services, instead of goods, is referred to service retailing. It includes services with merchandise such as rental-goods services, and owned-goods services and services without merchandise such as telephone answering, hair cut, financial services, and so on.

Nowadays, informatics evolution created new type of retailing. Virtual retailing is the operation that can sell all kind of products in virtual stores on the Internet. Many retailers have been combining physical stores and virtual stores to serve their customers better.

3.2.1.3 Sale staff

Salespeople are the first-line communication of a retailer to customers. The role of the salesperson is one of the most important functions in business especially in retailing industry. Usually, a salesperson has some of the following duties in the stores

- Assist the customers in selecting products
- Answer their queries about the products or the store in general
- Keep a check of inventory
- Sales of goods
- Report to the store in charge
- Maximize sales and profitability of the store
- Maintaining store standards by keeping it clean
- Receive cash, checks, and charge payments;
- Bag or package purchases;
- Give out change and receipts
- etc.

The salesperson mood and his behaviours somehow affect customer decision making.

So there are some requirements on salesperson characteristics

- Tact and patience to deal with difficult customers
- An interest in sales work
- A neat appearance
- The ability to communicate clearly and effectively

The role of salesperson in self-help stores might be considered less important.

However, if we have deeply view on salesperson tasks, we will see their roles.

- Promote the name and reputation of the company in the marketplace.
- Promote the company's products and services.
- Identify and contact likely prospective customers for the company's products and services.
- Examine the needs of the marketplace and identify opportunities for selling the company's products and services.
- Maintain regular contact with the company's customers.
- Create and improve customer loyalty.
- Demonstrate the products and services.
- Deliver the products and services.
- Negotiate contracts.
- Feedback information on activities of your competitors and the emergence of new competitors.
- Educate the customers, prospects and influencers.
- Set an example and standard for ethical selling practices.
- Prepare quotations, illustrations and proposals
- Provide feedback on how the company and its products are perceived in the marketplace.
- Keep up to date with the latest developments that affect the company, its products and its market

3.2.1.4 Store location

Store location is the most important determinants of volume sale turnover. The perfect store location generates the maximum amount of profit for retailer and makes

retailer successful. Retail location is important to customers, who take the location of the store into consideration when making the decision of where to buy. For frequently bought goods such as groceries, customers tend to choose the closest shop (to home or work); whereas for shopping goods such as clothes, or speciality goods, customers are influenced by a variety of factors such as distance to travel, cumulative attractiveness of the town or shopping centre in terms of the total retail and entertainment offer, access, availability and cost of car parking and other ancillary facilities

Before establishing a perfect store location retailer has to consider culture, customers, type of goods, demographic, competition, and location costs.

Customer and culture

There are many stories about successes and fails of retailer in many countries because of choosing store location. Customer and culture are investigated to find out their behaviours, choices when they have desires of goods and services. The location should be in a pedestrian street in a business district, if retailer wants to open a convenient store in Vietnam.

Type of goods

Choosing store location must consider the type of goods a retailer offers. If the retailer wants to set up a store to sell convenient goods, the perfect store location might be in crowd areas. The store must be easily accessed. It allows customers to quickly make a purchase.

If the retailer offers special goods, the specialty stores often are in centres, business districts. Because customers usually want to save their time therefore they purchase special goods by occasionally.

Demographic is one of aspect that the retailer has to know and need to be analysed carefully before setting up a store. The population, structure of age, gender, and other factors would affect the retailer's gross revenue.

3.2.1.5 Store design and layout

The value of design and layout cannot be underestimated. The new store design and layout might affect customers by conveniences, good-looking and build a good image of retailer store in their minds. It also might help retailer easily manage and control store and prevent thefts. When store takes new design and layout, the sale

revenue usually increases. The new store design and layout may come from a planning new store or remodelling an old one. Store design and layout includes exterior design and interior design.

Exterior design is the complete architectural aspects of what the customer sees before entering the store including colour and materials, signage, window, security, and the store entrance.

Interior design is relating with layout management, determining the value of space, customer traffic flow, and the type of goods and complementary merchandise placements. It includes fixtures, displays, floors, lighting system, and security.

New store design and layout has to meet some requirements for retailer success

- The store design and layout is compatible with type of goods and store space
- The design and layout helps customer meet their needs easily
- The design and layout help control and manage store easily.

3.2.1.6 Retailing services

Retailing is itself a service oriented activity. The selling of services not goods can be referred to as service retailing.

It includes two types: services with merchandise and without merchandise

Services with merchandise

Service retailing is associated directly or indirectly with merchandise that consists mainly of three types: rental goods, owned goods, and non-goods services.

Rental goods services consist of customer renting some type of good, usually a consumer durable.

Owned goods services include those services that are performed on goods owned by the customers such as repair services

Non-goods services are the services that a retailer offers to customers who make good purchases at its store such as delivery, wrapping, credit, and so on.

Service without merchandise

Retailing services without merchandise such as financial services, answer telephoning, dry cleaning, nails and hair cuts are pure services that the retailer provides to the customer.

3.2.2 Retail sale process

We can tailor the selling process stages to buying process in figure 3.5

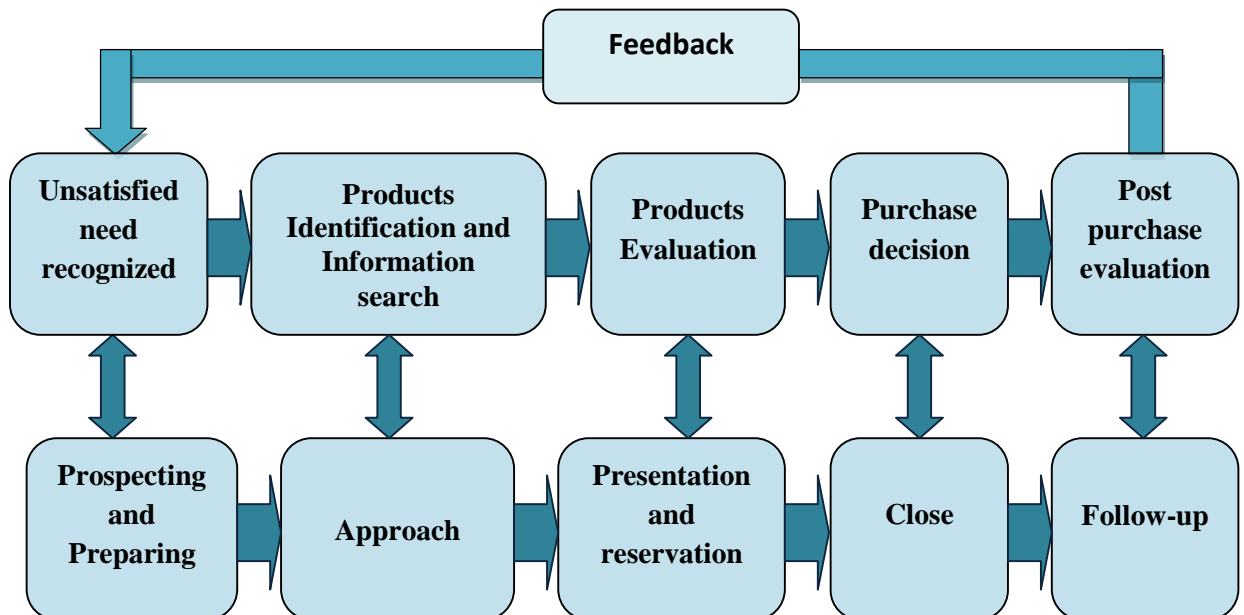


Figure 3.4: Sales process

A prospect is any person who has the potential to purchase goods or services in retailer store. Source of them might be from previous customers, customer and employee referrals, lapsed customers, marketing mix and public relationship, to endorse store/organization.

Preparation is the process of learning and handling with target customers. It also includes the preparing stages of retailer for selling such as merchandises, store lay-outs, services, selling policies (opening hour, payments, delivery, and return), and sale-staff. In this step, all employees in retailing organisation can be referrals for customers. The customer's needs and wants can be determined by observing, interviewing, and survey analyses.

The approach process is process which carries out while preparation is made. The potential customers, which have interests in what is going on, what products are provide, should be referred by all employees with positive attitudes, friendly, and opening or by media, internet, and advertising. It also helps retailer to assess preparation process, adjustment if needs.

From the two steps the customer's need and price range are defined, the AIDA model (Awareness, Interest, Desire, Action) can serve as a structure for the presentation, as the sale-staff outlines or demonstrates merchandise features, advantages and benefits to the prospect, relating these to the customer's specific needs. Questions are made to the customer to express reservations or further needs, to understand customer's perception, facts and level of interest. The aim is to help the customer buy the merchandise which will give them most satisfaction.

Because of products are packed or cannot be used when the customer wants to buy it, reservations and objections are barriers to the buy decision. If they are genuinely important to the customer, they have to be overcome to make a sale. It is best to anticipate common objections early in the presentation to prevent negativity later in the process. We can handle hesitant reservations by:

- Pass up the objection – skirt around the issue. If it comes up again it is important and needs to be addressed.
- Ask questions – find out the prospect's concerns.
- Rephrase the objection – summarize understanding of the customer's reservation. This buys thinking time.
- Compensate for the objection – outline the features and benefits which make the product worth buying.
- Deny the objection – where the customer reservation is based on a misconception, acknowledge their views and concern, then explain the correct situation.
- Use a testimony or third party – explain or demonstrate an instance in which the objection was previously made and the customer subsequently satisfied.

Closing the sale is the point at which the customer is directly asked whether they want to buy. Buying signals are those behaviours which indicate genuine interest in purchase, such as reading the warranty or user manual, trying the product, examining the item in detail, asking questions about colours, styles, delivery, accessories, and making positive comments about the product. If the buying signals have been misinterpreted and the customer refuses to close, it is possible that there is a further reservation which requires being determined and met.

As each objection is answered, the salesperson should check that it has been overcome, using a closed question to determine the customer's agreement. This is

sometimes called a 'trial close'. Where the objection cannot be overcome, this has to be acknowledged, followed by an indication of how the benefits of the product outweigh the disadvantages, or if appropriate, presentation of an alternative product.

Alternatively, there may be another product or model which will meet their needs. It is, however, important not to pressurize the customer into buying.

Following up the sale can lead to extra sales in a number of ways, such as: supplementary and complementary items can be suggested to the buyer; a discount can be offered for the next purchase, or for a referral; the buyer can be added to a list of future prospects. It is good practice to enquire by telephone or card about customer satisfaction with any expensive or complex purchase. (Fernien and Moore, 256-258)

3.2.3 Retail theory

3.2.3.1 The wheel of retail

The theory was developed by M.P McNair to explain the patterns of change in retailing as the wheel was illustrated by the figure 3.7. According to this theory, retail organizations enter the market with a low-cost, low-price, low-service format, using opportunistic buying and basic premises to undercut established competitors and establish themselves in the market. For those which succeed, there is a tendency over time to add product lines, upgrade stores and add services, which will tend to increase price levels for the merchandise. In stage 3, retail organizations tend to operate at the high end of the market, offering quality merchandise and service at price levels which alienate their original customers, and increase vulnerability to innovative new market entrants.

In reality, many of retailers entered into retailing market not like the first stage was described in theory and go in-line through three stages. Because of customer changes, evolution of technology, internet popularity, and marketing knowledge many retailers were established and have their own strategies to sustain and to develop. Hapro, a retailer in Vietnam has been developing its own strategy to seize market share in Vietnam retailing market. It builds its brand by producing its own products and sells them in their stores with other brand products. Stores are diversified from warehouses, shopping centers, hypermarkets, supermarkets, and convenient stores.

Stage 2 – Trading up phase

Retailer trades up

Characteristics:

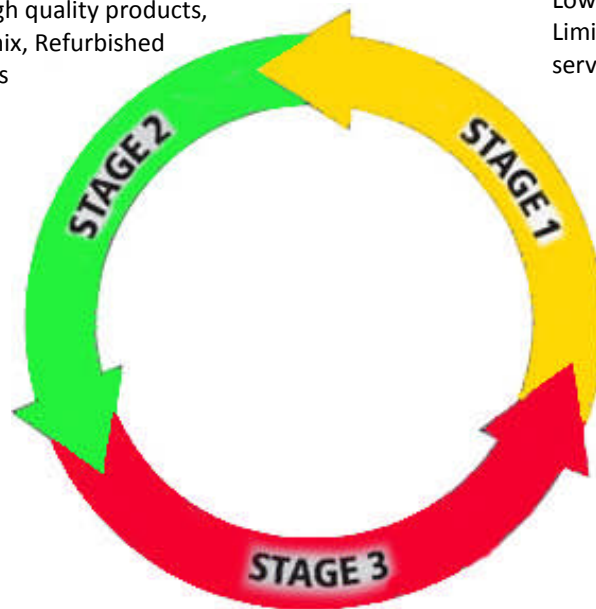
Moderate prices, High quality products,
Expanded product mix, Refurbished
stores, More services

Stage 1– Entry phase

New innovator enters market

Characteristics:

Low prices, Cost conscious, No frills,
Limited product mix, Minimum
service, aggressive strategy



Stage 3– Vulnerability phase

Mature retail organization

Characteristics:

Higher end of the market, High prices,
High quality products, Broad
assortment of goods, Service emphasis

Figure 3.5: The wheel of retailing

3.2.3.2 The Est theory

This theory is introduced by McMillan Doolittle. The main idea of this theory is a retailer want to sustain and develop it must be the best at one position that important for a market segment. The retailer has to choose a specific set of customers and uses its resources to be the best in the eyes of target customers. The retailer may give up short-term profits to focus on strategies to have long-term success.

In the figure 3.8 (Ander Willard and Neil Z. Stern, 11) there are five positions that a retailer can achieve one to develop and grow. In the middle of the figure is “black hole”. The black hole is the position where retailer stores are no longer the destination of customer shopping. Once, retailer is in black hole, it goes out business.

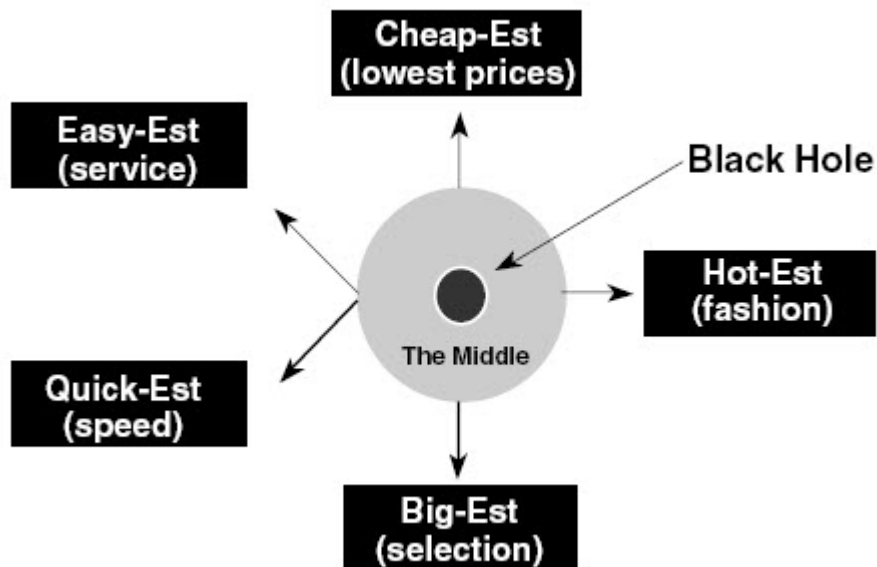


Figure 3.6: Est model

The most popular Est is Cheap-Est. The biggest retailer in the world in term of sale revenue, Wal-Mart is adopting this Est. The other Est positions that win customers are Big-Est, having the largest assortment of product in a specific merchandise category; Hot-Est, having the right products just as customers begin to buy them in volume; Easy-Est, having the proper combination of products and services that makes shopping easy; and Quick-Est, organizing the store to make the shopping trip as quick and efficient as possible.

Nowadays, retailers in world do not only adopt Cheap-Est, they also combine it with other Ests. In order to enter America food retailing market, Tesco builds stores with brand name “Fresh & Easy”. The stores are built by combining Cheap-Est with Quick-Est and Easy-Est. The prices of goods are lower 20 percent than its competitors. The checkout system is completely automated with 100% assisted self-checkout. Five checkout stands are small and designed for 15 items or less and the rest are a bit larger with scanners and self-pay systems (though there were plenty of employees nearby to help out people not familiar with the concept).

3.2.4 Trends in the retailing industry

- Customers have less time to shop
- Convenience shopping at the last minute – the fast-moving consuming goods

- Private brand products dominant more in retailing stores and product life cycles are getting shorter and retail life cycles are also getting shorter
- Types of stores are diversified according to cultures, consumer tastes and preferences
- Significant consolidation in retailing - big stores buying smaller stores to buy market share and expand
- Evolution of communications and internet popularity
- High risk, high reward environment pushes for mass and scale. Competition is intense and unforgiving
- Rapidly changing consumer needs and preferences
- Innovation will be critical for the survival of retailers

In table 3.1, Wal-Mart is the biggest retailer in term of sale in 2007. With the Cheap-Est and the mission “we save people money so they can live better”, Wal-Mart becomes more popular and the best choice of shopping destination. In the time of economic recession, Wal-Mart still has a positive growth and remains its position of biggest retailer in the world. The success of entering into America food retailing market helped Tesco gross revenues grew 10.9 percent. Along with the Cheap-Est principle (prices are lower than competitors in the same areas), Tesco also provides to customers a good service with automate checkout, car parking places. Stores have neat design and layout and locate at good positions.

	Name of company	Country of origin	2007 retail sales (U.S.\$mil)	2007 Retail sales growth
1	Wal-Mart	U.S.	374,526	8.6%
2	Carrefour	France	112,604	5.5
3	Tesco	UK	94,740	10.9
4	Metro	Germany	87,586	7.2
5	Home Depot	U.S.	77,349	-2.1
6	Kroger	U.S.	70,235	6.2
7	Schwarz	Germany	69,346	12.7
8	Target	U.S.	63,367	6.5
9	Costco	U.S.	63,088	7.0
10	Aldi	Germany	58,487	5.7
Top 10*			1,071,328	7.2%

Table 3.1: Ten top retailers in term of turnover in the world 2007

IV. SOME CUSTOMER CARE MODELS IN THE RETAILING INDUSTRY

4.1. Definition of customer care

Customer care involves putting systems in place to maximise customers' satisfaction. It should be a prime consideration for every business - the sales and profitability depends on keeping customers meeting their expectation.

Customer care model includes all parts in retailing organisation that directly and indirectly involve to sale processes. The quality of customer services is the measure how customer care model operates. The effective customer care model is measured by the percentage of customer meets their expectations at reasonable costs.

To attain an effective customer care model, retailer has to put customer at centre of activities. For receptionists, salespeople and other employees in customer-facing roles, customer care should be a core element of their job description and training, and customer care should be taken into account when managers make business plans and strategies.

4.2. Main factors of customer care model

- ✓ Place - store location and design
- ✓ Products and prices
- ✓ People
- ✓ Customer Services and Marketing program
- ✓ Communication
- ✓ Logistics and Delivery
- ✓ Suppliers

The quality of customer care is that how customers satisfy. In each organisation, base on interior components such as capital, human resources, and technology organisation treats their customers in the unique way.

4.3. Customer care models in the retailing industry

4.3.1 Wal-Mart: “We save people money so they can live better”

Sam Walton understood the mission and reason for a retailer exist when he found Wal-Mart. With slogan “We save people money so they can live better” there are more

than 176 million consumers in 15 countries who shop in its stores every week. In their words, they share how Wal-Mart helps improve their lives. Wal-Mart exceeded 100 billion \$ in sales during the fourth quarter – a first for any global retailer. It accomplished that figure impressively because in that quarter most of retailers were going in the other direction.

They are committed to Sam Walton's philosophy "The secret of successful retailing is to give your customers what they want". Wal-Mart's mission contributes to better value and lower prices of products and services. The impact of what they buy and sell increases the quality of life for customers around the world. The company does not only make profit for its investors, employees, but also it responds to environmental protection, health care, saving energy. "Making a difference" is the way that company takes its responsibilities for communities where it is operating.

Wal-Mart has opened four types of stores and its stores locate in 15 countries including the United States. In 2008 according to the annual report, it has total 7,262 units around the world. In the United States it has 971 discount stores, 2,447 Supercenters, 132 Neighbourhood Markets, 591 Sam Clubs, total units outside the United States are 3,121. Retailer of Choice

- Stores and clubs are custom designed for the shopping needs of the local community
- Merchandise is relevant to the unique needs of various cultures and ethnic groups
- Shoppers find products from their most-trusted local and minority suppliers
- Associates strive to provide diverse customer base with excellent service.

About 40% of products sold in Wal-Mart are private label store brands, or products offered by Wal-Mart and produced through contracts with manufacturers. Wal-Mart began offering private label brands in 1991 with the launch of Sam's Choice, a brand of drinks produced by Cott Beverages exclusively for Wal-Mart. Sam's Choice quickly became popular, and by 1993 was the third beverage brand in the United States. Other Wal-Mart brands include Great Value and Equate in the US and Canada, and Smart Price in Britain. A 2006 study talked of "the magnitude of mind-share Wal-Mart appears to hold in shoppers' minds when it comes to awareness of private label brands

and retailers. By offering to customers the private brands, Wal-Mart's selling items have lower prices compare to its competitors

Company maintains a welcoming work environment where:

- Employees' unique differences and perspectives are embraced and respected
- Serving their associates as customers
- Developing our associates and provide opportunities for career growth
- Delivering effective and efficient processes and technology
- Their associates treat each other with mutual respect and dignity.

Wal-Mart has realized that the key to continued success is experienced, happy employees. Many programs were carried out to increase employee satisfaction and successful recruiting. Wal-Mart has its blog for customers, suppliers and consumers to give their opinions openly about company, products, stores, and so on.

Wal-Mart updated its web site to include up-to-date issues and controversial topics, so that senior management could get the facts in public view. And, to address topics as they come up, senior leaders will speak out more and make certain that the public knows what they are doing. On its webpage, customers, associates, suppliers, investors, and employees can easily find information that they need.

Wal-Mart has a good customer service with well-trained and enthusiastic staff, easily access information by email/web form, mail, and phone. With return policy, company has clear instruction for each type of product, how to return it for refund or exchange for another good. Company invests in improving the customer experience in its stores – faster checkouts, friendlier service and cleaner premises. The groundwork laid during the past two years placed them in the position to best serve their customers in a challenging economy.

The other reason why Wal-Mart can offer product with lower price is its logistic system. Wal-Mart has been able to deliver low prices by being efficient. This efficiency is present in several areas but one of the most important places is how they are able to manufacture products all over the world and get them to retail outlets, which are also all over the world. This ability requires a perfect logistical system that allows product to be shipped anywhere at a moment notice.

One of the keys to Wal-Mart's effective logistical system is the flexibility that it has when choosing suppliers. When Wal-Mart negotiates with suppliers and the suppliers

know that Wal-Mart will only pay the most competitive prices. This is because it is very easy for them to find another supplier of that particular material with a lower price and very few logistical problems. This gives Wal-Mart a huge amount of leverage when dealing with suppliers. If a particular supplier knows that a company has found a lower price, it will lower its price accordingly. They know that Wal-Mart's logistical system can handle transition seamlessly and therefore they gain no additional leverage since it won't be difficult or costly for Wal-Mart to choose another supplier.

Another reason that Wal-Mart's prices are so competitive is because they buy in such large quantities that transportation from one end of the supply chain to another is not as costly for additional units. This aspect of the logistical system does not come from skill or expertise it simply comes from the sheer size of the company, but this is still a factor. Wal-Mart buys so many supplies from different places throughout the world, that they have the luxury of using bigger trucks and using less fuel to go back and forth. Also if by chance they have to use shipping services to transport material from one location to another, Wal-Mart will give them so much business that they will get huge discounts.

The Site to Store shipping method is a service that offers customers free shipping of online orders to any Wal-Mart store. Shopping on Wal-Mart's website gives customers convenient access to tens of thousands of items, many of which are not normally available in the stores. The Wal-Mart Site to Store delivery method save customers money when they purchase products online.

The last, Wal-Mart ensures its ability to serve customers well by investing in information technology. The company has been investing to upgrade its technology. The famous event we knew that company applied radio frequency identification (RFID). In January 2005, Wal-Mart has required its top 100 suppliers to apply RFID labels to all shipments. To meet this requirement, vendors use RFID printer/encoders to label cases and pallets that require electronic product code (EPC) tags for Wal-Mart. These smart labels are produced by embedding RFID inlays inside the label material, and then printing bar code and other visible information on the surface of the label. By using advance technology Wal-Mart reduces its costs of inventory keeping, transportation and make customers satisfy with full available stocks in stores. The customers always find the products in its category at competitive prices.

Customer benefits are the aims of all its activities. Target customer’s satisfaction is one of the priorities of Wal-Mart strategies. Not only maximising profit for its investors, Wal-Mart also saves money for its customers, enhances standard of living, and leads to sustainable development. All above factors make Wal-Mart become the largest retailer in the world.

4.3.2 Tesco: “Every Little Helps” and “Treat people as we like to be treated”

Company’s core purpose is to create value for customers to earn their lifetime loyalty. The company’s philosophy can be described in the figure 3.10

Tesco is the world’s third largest grocery retailer with operations in 14 markets, employing over 440,000 people and serving millions of customers weekly.



Tesco PLC Annual Review and Summary Financial Statement 2008

Figure 3.7: Tesco’s Steering Wheel

Company have been following a clear, consistent, well executed strategy. Tesco is a growth company and the strategy is designed to deliver good growth and performance, while maintaining focus on investing for the future. The scope of the business was broadened to enable it to deliver strong sustainable long-term growth by serving the customer in United Kingdom – such as financial services, non-food and telecoms – and

new markets abroad, initially in Central Europe and Asia, and now also in the United States.

There is a variety of store formats that Tesco applied. All formats provide a different shopping experience for customers, but all offer the same outstanding value. Each of stores is designed to meet the increasingly varied lifestyles of the customers. The format of stores which Tesco applied to enter America’s food retailing market with brand name “Fresh & Easy” is from Express store format. The competitive advantage of Tesco comes from variety of store formats, convenient of store location and the price of products offer is lower than its competitors. Tesco has used internet since 1994, and Tesco is the first retailer in the world offer home services in 1996. In 2000, Tesco.com was formally launched.

In many stores, Tesco offers over 40,000 product lines including 1,200 organic product lines. Tesco's private-label products account for as much as 60% of sales in many countries. According to the company, Fresh & Easy private label has a 50% penetration rate in its America stores and is represented in nearly every major food category including produce, meat, prepared meals, juice, coffee and mixed nuts. Products offer in Tesco stores, are at competitive prices.

Staff worldwide	440,000	
Staff in the UK	280,000	
Stores worldwide	3,956	
Total stores in the UK	2,184	
By format...	169	Extra
	8	Homeplus
	444	Superstore
	172	Metro
	880	Express
	511	OneStop
Number of markets	14	
Which markets	China, Czech Republic, France, Hungary, Japan, Malaysia, Poland, Republic of Ireland, Slovakia, South Korea, Thailand, Turkey, UK, USA	

Figure 3.8 Quick fact of Tesco PLC

Tesco has created a good working environment for its people. 440 thousand people worldwide work for company. Everyone in company works in a team and people

united by a common purpose “to create value for customers to earn their lifetime loyalty”. The low labour turnover and low absence rates last year have demonstrated Tesco was a good place that employees are satisfied and they want to devote their time to work. They are paid at competitive salaries, work in safe working environment, and company provides employees with comprehensive support and training. With philosophy “happy staff = happy customers” company recruits local people to work for its stores then train them to be “homegrown” managers.

Communication among branches and head-offices are conducted mainly by email. Emailing is the best form of communicating internally and externally in Tesco. Internet has been using in Tesco from 1994 so all Tesco’s parts have the internet. Therefore all branches can communicate and also compared to other forms of communication email is the most reliable because physical barriers wouldn’t occur as frequently as faxing or texting. Also from an environmental point of view emailing is very friendly because no paper is being used which would prevent deforestation unlike faxing, letters and leaflets. From a social view emailing is very suitable. Emailing is great because you can highlight records and send your email message straight away to all of them instead of one by one. There are also other kinds of communication such as telephone, mail.

Tesco apply lean logistic to supply chain management. Company upgraded its supply chain management systems to monitor and control its entire in-store inventory, and minimise stock keeping units (SKUs). Company does not have its own transport system. Company signed contracts with logistics companies to transport its goods from manufactures to warehouses and stores. Logistic strategies helped Tesco reduce investing capital, operating cost on transport system. In recently, Tesco has signed five year contract with TNT logistics UK for Home Delivery of Tesco Direct; the online shopping service, signed contract with distributing partner Eddie Stobart Group to transport goods by rail, and also combine sea transport with road transport and train transport.

Tesco is the transmission of its customers to their suppliers. Tesco holds Supplier Conferences to report to individual businesses, which will help them understand the behaviour of their consumers and to be able to adjust their offer accordingly - improving their offer and, in the process, the local sourcing offer from Tesco. Tesco also collaborates with its suppliers on packaging. Tesco has over 5,000 direct suppliers,

ranging from very small companies offering one product delivered direct to a few stores, to multinationals supplying lots of goods to its stores around the world via our international sourcing hubs in Hong Kong and elsewhere. Company launches ethical trading program to ensure their suppliers to provide met standard products.

In 1995 Tesco became the first supermarket to introduce a company loyalty card, an idea developed by the then Deputy Managing Director, Terry Leahy. At first other supermarkets were doubtful, but the concept caught the public imagination, leaving others racing to catch up. Loyalty cards are now big business, with a 2002 MORI poll indicating that more than half of UK adults use loyalty cards. In April 2004, Tesco began to introduce RFID tagging on cases of non-food items at its distribution centres so that it can track them through to stores. From September some suppliers will be required to put tags on cases of products delivered to Tesco. The company has not set a deadline for all suppliers to tag their cases.

Company also serves its customers with full retailing services such as telecom, banking, personal finance, and garden centres.

Tesco stores now are emerging of the choices of “**cash-poor time-poor**” shoppers now it is more effective in the recession time.

Conclusion

From overview of two giants in retailing industry, we can see how well they operate and obtain good positions in retailing industry. Each company has each own strategy in operating, managing supplying chain, store format and location. But they have the same common purpose bring benefits to their customers and maximising returns to shareholders.

V. SOLUTION TO HAVE AN EFFECTIVE CUSTOMER CARE MODEL IN A RETAILING ORGANISATION IN VIETNAM

5.1. Introduction of company

Hapro is the brand name of Hanoi Trade Corporation. Hanoi Trade Corporation is one of the leading state corporations in Vietnam in export, import, production, trade, providing services. The corporation was found in 2004 including 33 subsidiaries. The corporation has 32 supermarkets, 140 convenient stores

Main business activities of the corporation are:

- Importing and export agricultural products, foods, beverages, garments, handicraft and consuming products
- Importing machinery, equipment, material and consumed goods
- Distributing with shopping centres, supermarkets, convenient and specialty stores
- Providing services such as restaurants, travelling tourism, storing, duty-free goods
- Producing foods, beverages, handicrafts, garments, etc
- Investing and developing infrastructure, trade and service.

It has received many awards, prizes including: Good Reputation Exporter Award given by Vietnam Commerce and Industry Ministry for several continuous years, Gold Elite Enterprise Award, Vietnam Super Brand Award, Top Trade Service 2007 Award given by Vietnam Commerce and Industry Ministry etc.

(Sources: <http://www.haprogroup.vn>, 2009)

In 2008, total sale revenue of Hapro was at 368 million US\$ increase 6.8 percent compare with sale revenue in 2007. Domestic turnover was at 242 million US\$, and export sale revenue was at 126 million US\$. In 2009, the company has planned to reach total sale revenue at 396 million US\$ and export sales at 141 million US\$.

Hapro is one of four biggest domestic retailers in Vietnam. In 2007, four companies had joint together to form Vietnam Distribution System Development & Investment jsc (VDA). In the same year, Associates of Vietnam Retailer (AVR) was found and Hapro is one of its members. In 2006 the company has been investing about 3 million dollars to carry out E-Hapro project, which will complete in 2010. The project will apply e-commerce, supply chain management (SCM), enterprise resource planning (ERP), customer relationship management (CRM), and some special software to entire

the corporate. Vietsoftware is the company contribute e-company model by option AMOS suite for Hapro.

The model of E-Hapro will be depicted in figure 5.1:

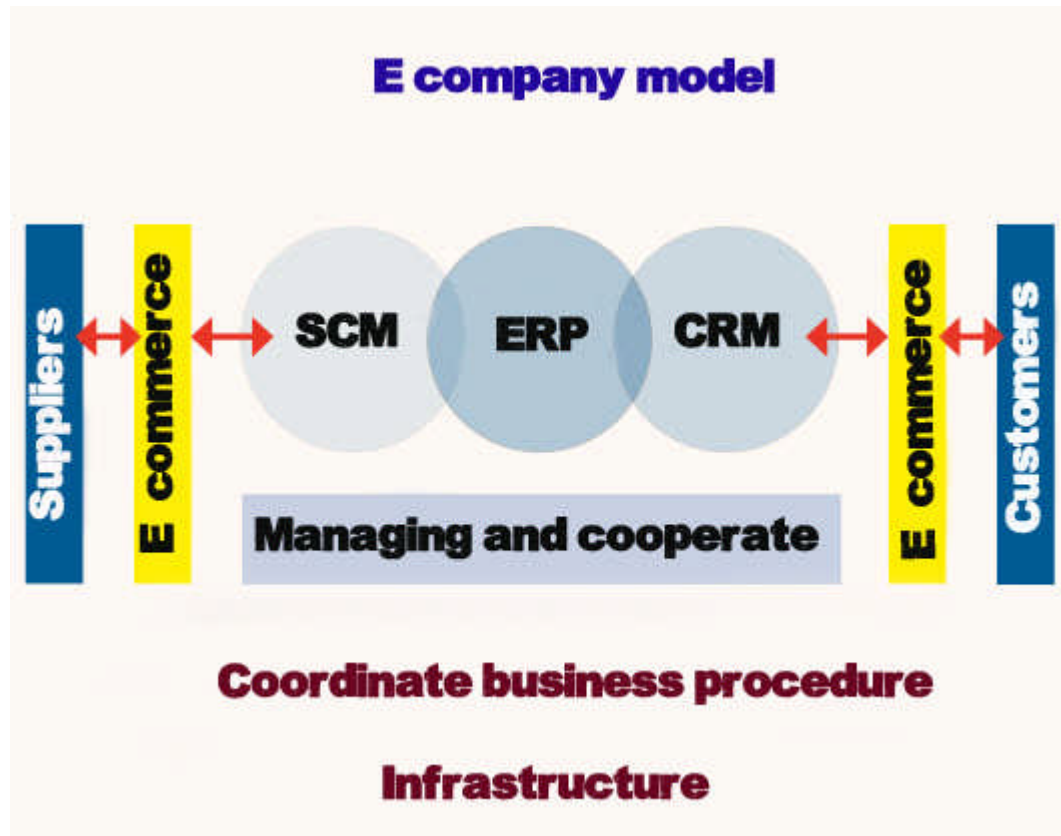


Figure 5.1: E-Hapro model according to Vietsoftware

Organisational structures and its subsidiaries are depicted in appendix 1 and appendix 2. Some main figures in recent years are listed in appendix 3

5.2. Business Environment Analysis

For a retailer, external environment has a strong effect on its functions. There are two main tools to analyze external environment. The first tool is PEST analysis including political, economical, social, and technological analyses. This tool will provide us the external environment of Vietnam. The second tool is five forces analysis of Michael Porter which gives us the Hapro's position in the retailing industry in Vietnam.

5.2.1 PEST analysis

According to the seventh annual Global Retail Development Index™ (GRDI) published by A.T. Kearney in 2008 Vietnam became to the most attractive emerging market destination for retail investment.

Political components:

Vietnam has the political stability because there is only a communist party controlling country. The enterprise law which applied in 2005 is universal for all parties of economy. From 01.01.2009 the retailing market is open according to the conditions of entering into the world trade organisation (WTO) which Vietnam joined in 2007. That means foreign retailers can establish 100 percent ownership of their subsidiaries and have the same rights and duties like domestic retailers.

Enterprises income tax rate is at 28 percent of income before tax for all kinds enterprises of ownership. Value added tax is at 10 percent for almost kind of commodities. Some commodities are levied at 5 percent or 0 percent tax rate. Some luxury commodities are levied special consuming tax on. Social and health insurance rate which enterprise has to pay for its employees is at 19%.

Law of environment is valid since 2005 together series of circulars, regulations, decisions on protecting environment. Thereby it regulates economic parties to protect environment, environmental friendly manufacturing. And for those businesses violate this law will get penalty according to level of violation.

After entering WTO, the tariff on Vietnamese exported commodities in WTO country members is reduced. Also import tax rates reduce.

Especially, Vietnam government has a tax alleviated policy to encourage foreign direct investments. Recently, it launched a program to develop its wholesale and retail real estate throughout the country by 2010.

Social component

Vietnam has a young population 87 million people with 60 percent from 18 to 65. By the result of economic reforming, income per capita has increase over 1000\$ a year in 2008. The country is becoming more urban and concentrated. In 2008, 30 percent of population are living in urban and more than 1 million people a year are expected to

migrate into cities. In the big cities with high education level and numerous of middle class and upper-class are destinations for the development of modern retail both of domestic and foreign retailers. Most of Vietnam consumers are familiar with buying fresh foods in open-air wet markets not only for foods, but also they meet friends, relatives to talk. One of reasons that most consumers choose those market is foods in there are cheaper and fresher. It is also a part of Vietnamese rural culture. With rising living standards, more consumers are switching from traditional, open-air wet markets to modern retail—tempted by a broad range of products, a more comfortable and hygienic shopping experience and less haggling (GRDI_2008,6).

The consumer trend buying product mainly based on low prices, durable, and high quality. In big cities there is another trend of buying to express the ego. The middle class and upper class now have more money, they do not only require high quality product but also require courteous and fashionable styles or to be unique. We can see today in Saigon or Hanoi the famous car such as Lamborghini, Roll-Royce Phantom, Ferrari and other famous brands run in roads or eating at luxury restaurants.

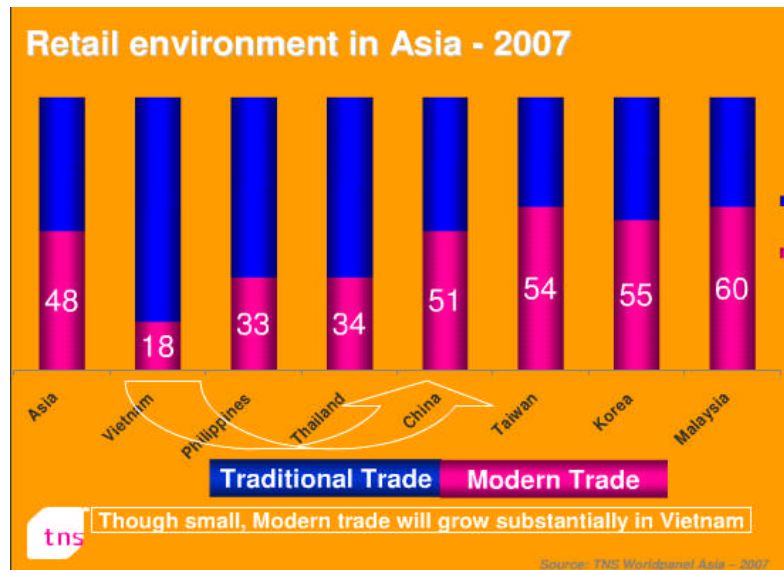


Figure 5.2: Retail environment in Asia 2007

Today Vietnamese consumers are looking for convenient, indulgence, and healthy products. According to TNS report quarter fourth of 2008, 88% of interviewees buy healthier foods even pay more, 89% buy brands because of good quality even expensive, and 80% buy goods for convenience and saving time.

Economic component

In recent years, Vietnam has been obtaining high GDP growth rates and being an opened economy; export oriented economy. Last year, despite of global financial crisis it recorded 6.2 percent and continue remaining high growing rate. The monetary and fiscal policies are applied dynamically to keep economy in stable growth. In 2008 inflation was tracking at 20.3 percent for the first half of the year. The sudden raising inflation in 2008 is due to rising worldwide commodity and food prices. In order to curb inflation, the government increases interest rate to 13.5 percent and tightens government spending. Now the long-term interest rate is 7 percent per year. The global economic picture is not bright, but Vietnam still remains to be the attractive destination for investors with high GDP growth rate and the potential of market. Foreign Direct Investment (FDI) in first quarter of 2009 is registered about 6 billion \$. Last year, FDI registered about 58 billion \$.

Exchange rate US\$:VND was inelastic because government used to use fixed exchange rate with fluctuation below 5%.

Unemployment rate in 2007 is 4.64% and it is forecasted at 7 percent in 2009.

Labour cost is relatively low.

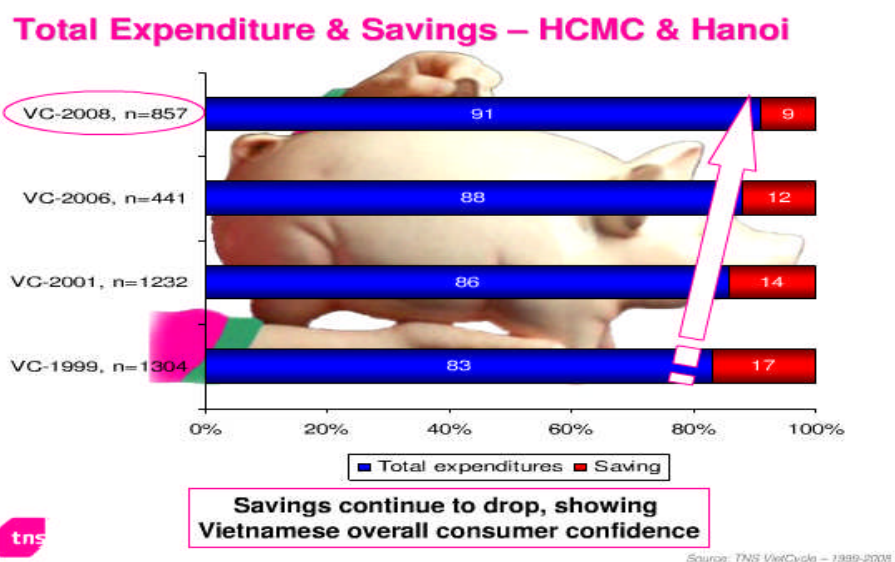


Figure 5.3 Expenditure and Savings in two biggest cities 2008

The retail market was valued at 47 billion \$ last year increase 22% compare to year 2007 and estimated at 53 billion \$ in 2010 (<http://wto.nciec.gov.vn>, 2008). The saving margin rate in 2008 is only 9 percent compare with 17 percent in 1999 and

consumer confident index is 118 points increase 1 point compare to last year while average global consumer confident is decrease 2 points at 97 points (AC Nielsen). Although, the impacts of economic recession makes customers are more price-conscious.

Technology component

The internet is now popular and the number of using internet increases to 20.2 million users in 2008. A third of urban households have connected to internet and 50 percent of households have personal computers at home. Main activities while using internet are reading news, listening to music, chatting, email, and searching (60%). Game online and electronic shopping are now in its developing stage and have stable high growth.

Vietnam people are updated and familiar with high-tech products by observation of mobile owners, 76 percent of population has mobiles (Nielsen Vietnam Omibus 2008). And consumer expectation of a mobile does not only include receive and send SMS, calling but also includes beautiful styles, internet connecting ability, office applications, camera, and so on.

Company is applying E-Hapro project which is expected to help company to have capability to access new technology in retailing industry.

World situation:

The world economy is now in recession, it is affecting the company exports. In the first quarter of 2009, the sales from exporting reduce a third compare to first quarter last year. Because of recession, many countries try to help its own industries by imposing taxes such as importing tax, anti-dumping tax, fees and tariffs. They encourage consumers using their domestic products. As consequence, the sale of exporting activities will reduce.

The products the company offers to foreign customers have strong competition from other Asia countries such as Thailand, Philippine, and so on.

Conclusion

Opportunities

- The high GDP growth rate in recent year has increased the disposable income per capita. It will boost demand on foods, clothes, equipments, and so on. It is an opportunity for Hapro to increase its turnover, expand operation, and benefit for its stakeholders.
- The law and tax are updating and more suitable for all parties in economy. It helps companies protect themselves when they do businesses with both domestic and foreign partners.
- Company has chance to access new technology to reduce cost, increase productivity and raise capital for infrastructure investment, logistics, and satisfy its customers.

Threats

- The removal of barriers of tariff will encourages the entrance of new competitors with plentiful of capital, experience of management and marketing, and advantage technology.
- The entrances of foreign retailers will affect company. The experience staff may leave company for higher compensation from foreign companies.
- The anti-dumping tax from importing countries may impose on company's exporting products

5.2.2 Five forces analysis

Five forces analysis model, was developed by Michael Porter, included three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers, bargaining power of customers.

Characteristics of Vietnam retail market can be concluded as (report of RNCOS)

- Retail sales in Vietnam are forecasted to grow at a compound annual growth rate (CAGR) of about 13.6% during 2008-2012.
- Food is the most important component of Vietnam's retail sector and accounts for nearly two-third of total retail sales.
- Non-food sector is expected to grow at a faster pace than food, because of the rise in income and consumer spending on non-essential items such as clothing, electrical and do-it-yourself (DIY) goods.

- Demand for international brands and luxury products will rise as income level move upwards in the country.
- Modern retailing formats like air-conditioned mini-marts, supermarkets and small shopping complexes will become more prevalent in the coming years and will lure consumers away from traditional outdoor markets.

Industry Structure – Competitive rivalry

Number of competitors

There are many retailers in Vietnam retail market (see figure 5.2 source www.gso.gov.vn, 2008) and it has been increasing dramatically. However, they are mainly retailers with small capital, only ten percent of them have capital exceed 10 millions dollars.

Year	1991	1996	1999	2006	2007	2009 (estimate)
Retailers	1.774	10.689	16.226	20.786	25.780	28.000

Figure 5.4: Number of Vietnam retailer through years

There are already some foreign retailers such as Big C, Parkson, Metro Cash & Carry... They are maily operating in two big cities Hanoi and Ho Chi Minh.

Production differentiation

There is high differentiation among retail industry. Big retailers offers extensive range of daily grocery items, fresh foods from well-known brands and trusted suppliers. These items are usually offered in supermarkets, convenient stores with high prices. In traditional stores and open-air wet market retailers usually offer goods with low prices, low product range and with or without brands.

Threat of New Entrants

The competition intensity will rise with increasing number of new market entrants. The barriers that restrict foreign retailer operating in domestic market are abandoned at the beginning of this year. With the high benefit potentials there will be more foreign retailers enter the industry. Big C, Metro Cash & Carry, Parkson, and South Korea's Lotte Group have already opened their stores and are planning to expand

in the futures. The only thing restricts foreign retailers entering the market is Vietnam having low CPI (corruption perception index).

Threat of substitutes

Threats of substitutes must be considered because the entering of foreign retailers with plentiful of capital, managing experience, and good customer services in early future. Also they will provide a range of goods with their brands, domestic or imported brands. With the long-term strategies, they can give the lower prices, high quality products and perfect customer services.

Power of Customers

Domestic Customers

Consumers now require foods and goods more quality, fresh, and safety. The influence of customers on company is relatively strong, and it is increasing with broadening of customers' knowledge about offered products and the sanction of the consumer protection law in next year. Customers will have more right to require the reasonable prices and quality of particular products.

Foreign Customers

Company has above thousand customers around the world, most of them are organisations. In the world market, the customers not only require for high quality products and low prices, but also they require good selling services, after sale services. The products they order are handicrafts, porcelains, agricultural products, garments, fashion, and so on. Those products are offered from many suppliers in the world. Of course, the customers can choose the best supplier with the competitive prices.

Then power of customers has high pressure upon company.

Power of Suppliers

The corporation has a system of factories, workshops manufacturing processing goods for export and for domestic trading: handicrafts, agricultural products, Chu Dau ceramic ware, garment, wood chip, instant noodle, traditional processed food, canned food, Hapro Vodka, Hibiscus wine, Thang Long wine, Thuy ta clean Ice, Hapro purified water, Thuy ta ice-cream, Puna handbag, Hanoi milk, abattoir, sausage, glass – crystal,

cashew nut, Packaging, etc. Main offered products in Hapro supermarket and convenient stores come from its own factories. Also there are many other brands offering in its stores. The other products come from domestic producers and foreign countries. The company signed long-term contracts with suppliers so they can not affect the input prices in short-term.

The power of suppliers is relatively low.

5.3. CUSTOMER CARE IN COMPANY

5.3.1 Overview of customer care in company

After five years operating in business, company's brand has been recognised as a prestige trader both in domestic and foreign market. In domestic market, company offers to business organisations and consumers. In foreign market, company offers only to foreign business organisations. The company is expecting the result of E-Hapro project will serve its customers better.

In recent years, company try to focus to attach with special importance to customer care in retailing market. By 2010, company plans to own five hypermarkets, about sixty supermarkets, and six hundreds convenient stores, to improve customer service quality.

Mission and Vision

Development orientation:

- A corporation of multi-business with strong financial and human resource
- Leading brand in Vietnam
- High competition capability.
- Expanding our business in all Vietnam, in the region and worldwide
- Achieving high economical efficiency

Quality Objective:

- Hapro ensures to provide goods and services that satisfy all committed agreements.
- Hapro always improves quality of its products and services, to satisfy customers' higher and higher demand.

- Hapro is a reliable partner and a loyal companion of customers

Brand mission: “We are operating in Trade, Service, Production, and Investment. We do our best effort for the benefit and satisfaction of Vietnamese and international customers”.

In 2009 and next year, company focuses on developing and expanding market share in domestic market by opening new stores in northern cities, increasing capacity of factories to produce more agricultural products with higher quality, improving customer services in stores, keeping e-Hapro project on schedule, and completing store building projects in Hanoi. Also company advertises its images to new foreign markets such as Africa, Middle East, South of America, and so on. Company intend to open more representative offices and branches in foreign countries to seek more demands on its exporting commodities.

Products and Prices

Firstly, Company ensures that its manufacturing products meet quality standards, Company has the certificate of ISO 9001:2000 about quality management.

Company offers to their domestic customers many product lines at competitive prices and good quality in retailing stores. The sources of products come from subsidiaries, local suppliers, and foreign suppliers.

- Agricultural products and processing foods
- Porcelains and handicrafts
- Electronic commodities
- And other consuming goods

To domestic business organisations, company offers

- Imported machines, industrial equipments, industrial materials, and so on they are all from reliable and prestige foreign business organisations.

To foreign business organisation, company offers products with Hapro’s brands, comes from Hapro’s subsidiaries or from prestige domestic manufacturers

- Porcelains and handicrafts
- Processed foods and agricultural products
- Garments and fashions

Sale person

The salespeople in retailing stores are trained with basic procedures, to have good attitude and right behaviour with customers, and are issued company uniforms. Additional, the good salespeople share their experiences in annual meetings and some of them are trained in some special courses for high manager positions.

Security guards work for company, are hired from security companies. They are well-trained and work professionally.

For exporting activities, company has well-trained staff. They are all good command at one or few foreign languages such as English, French, Chinese, and so on.

However, the problem is salary pay for staff. The salary is not attractive to labour, especially in domestic markets. The low compensation to labour might cause low morale and productivity.

Stores

With the chains of supermarkets, convenient stores, specialty stores, and shopping centres in high traffic position, in dense areas company has a good chance to satisfy customers' needs.

In stores, design and layout is bright and good-looking. However, company does not have stores big enough such as supercentres, hypermarkets. The supercenter is on process of constructing. The space for parking is usually overloaded. The average product lines in store vary from 20.000 to 25.000 including about 70 percent domestic products and remaining 30 percent is imported products.

Company has big warehouses in Southern region and Northern region. It is convenient for both exporting, importing and retailing.

Customer services and Marketing programs

For domestic customer in retailing stores, company offer a relatively normal quality of customer services. The quality of company's customer service cannot create competitive advantage.

Some promoting programs carried out such as VIP cards, gift cards, and sale off in some celebrating days.

Communication

Now, main communication way in company both interior and exterior channel is face-to-face, telephone, and fax. Also other ways such as email, mail, and web form are using but they are usually low speed and not preferable. The investment in E-Hapro project is bringing the positive results. Numbers of customer visiting company's website is increasing.

Suppliers, Logistics, Delivery and System

Company has vehicles to distribute goods from suppliers to warehouses and stores. Also company has small trucks to serve as mobile selling points.

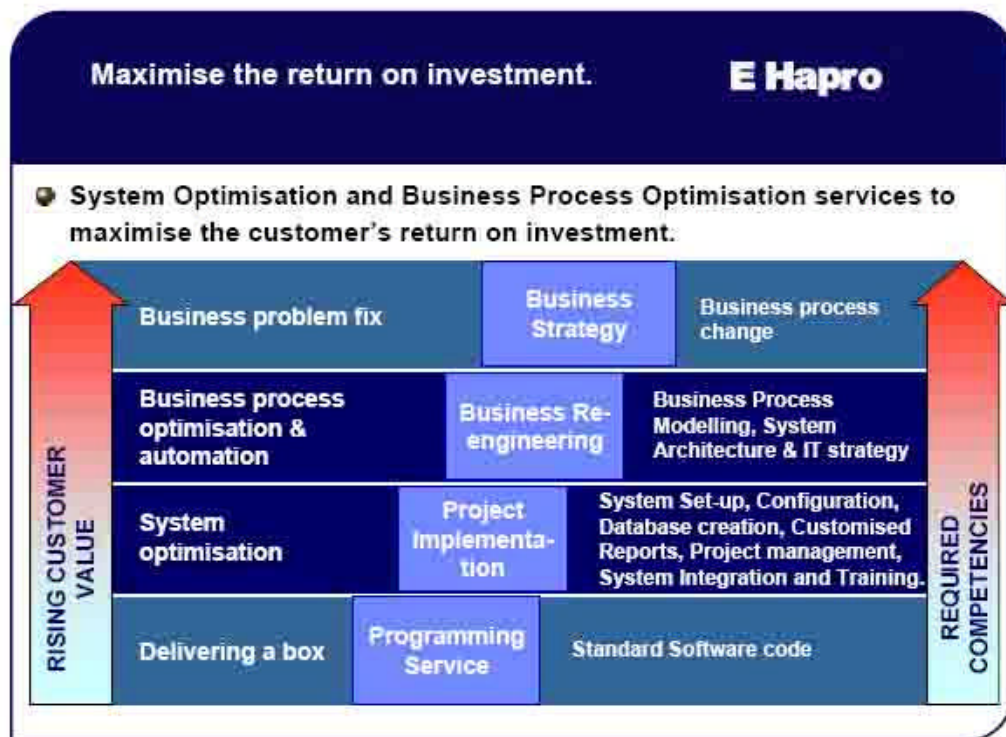


Figure 5.5: Hapro's system

5.3.2 Perceived of customer services from Hapro's customers

In order to assess the attributes of products that Hapro's stores offer, I conducted a survey using questionnaire to collect information. A total of 150 questionnaires were given to female consumers at the Hapro's stores. The survey was specifically conducted in the areas of Hoan Kiem district, Dong Da district, Cau Giay distric, and Hai Ba Trung district. Of the 150 questionnaires 100 were selected as valid ones. The analysis or the customer perceived below shows the results of the survey. The questionnaires were analyzed by the aid of both SPSS and MS-Excel programs.

Consumer information analysis

In the questionnaire, a portion was dedicated to attaining consumers' personal information, relevant for the purpose of this research. The said information was as follows

- **Age**

According to the survey, sample size of 100, the composition of the sample size was as shown in the table below (see figure7. 1 and table 7. 1 below). Age forms an important consideration, as age defines not only the attitude that a person holds but also the maturity level, income level, preferences and perspectives. For instance, a teenager would purchase foods and things at a supermarket based on different consideration set than a person in the age group of 35 years above (more on this will be brought later in this chapter).

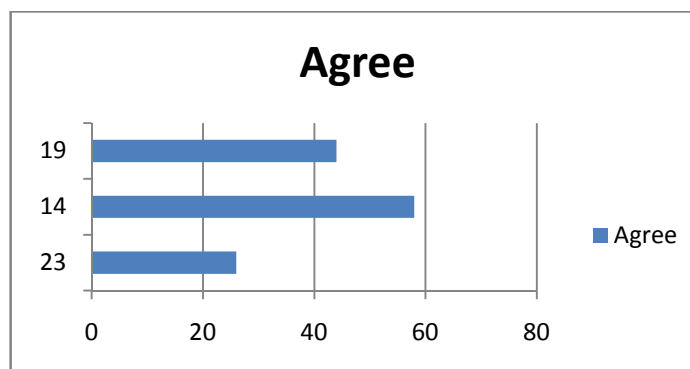


Figure 5.6: Graphic representation of the respondent's age group

The main age group of sample is 26-35

Age group	Frequency	Percentage
15-20	19	19%
21-35	46	46%
36 above	35	35%

Table 5.1: Age group

- **Working status:**

According to the survey, the sample size was categorised into three groups, namely: Housewife, working and others. The results from the survey (see table 5.2) showed that, of the 100-sample size, 10% (i.e., 10), 85% (i.e., 85) and 5 % (i.e., 5) belonged to the category of housewife, working and others respectively.

Working status	Frequency	Percentage
Housewife	10	10%
Working	85	85%
Others	5	5%

Table 5.2: Working status

- **Shopping frequency**

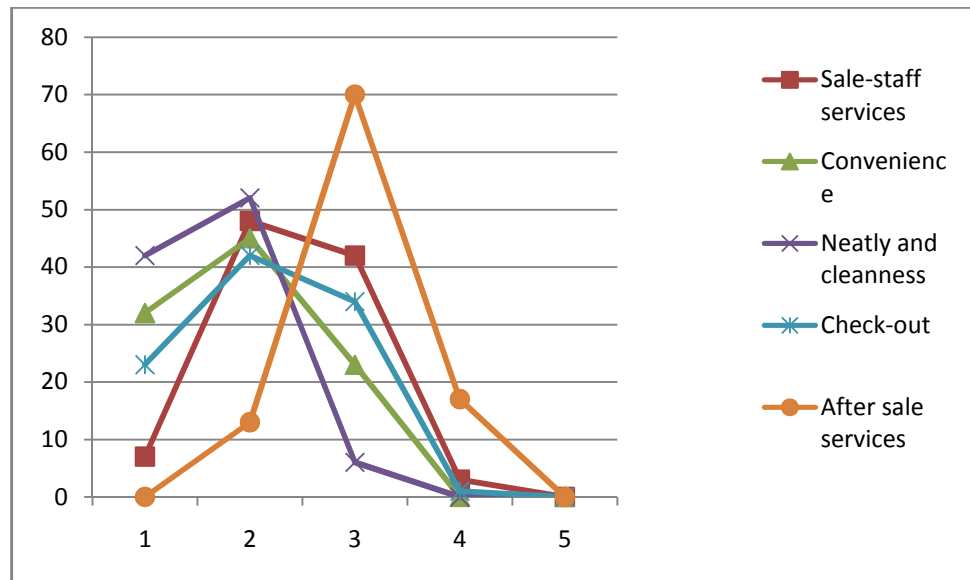
According to the survey, four types of shoppers according to shopping frequency

Shopping frequency weekly	Frequency	Percentage
<1	10	10%
1-2	53	53%
3-5	37	37%
>5	0	0%

Table 5.3: Shopping frequency per week

Age, working status and shopping frequency have strong relationships. It means the modern women in society have their jobs, earn money, and spend more time for shopping.

● **Store products analysis**

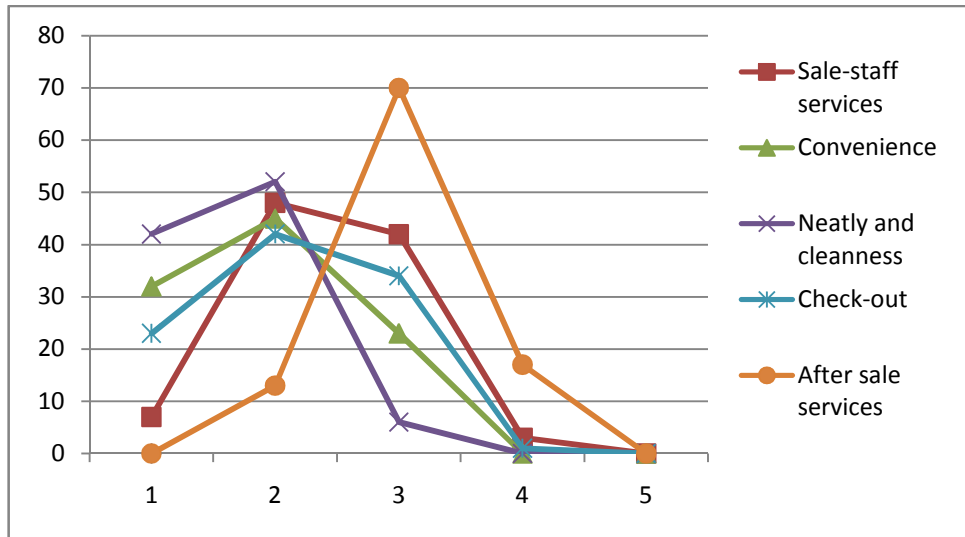


Attribute of Product	Strongly agree(1)	Agree (2)	Normal (3)	Disagree (4)	Strongly disagree(5)
High assortment	22	27	40	11	0
Safety	43	34	13	10	0
Fresh	19	44	26	11	0
Low-price	5	27	45	23	0
Packaging	12	28	46	14	0

Figure 5.7: Customer’s perception of attribute of store product

Product assortment was evaluated normally a bit high. In reality, traditional markets offer many kinds of products similar with Hapro’s stores. People tend to feel safety when they purchased foods from supermarkets, convenient stores because of retailers’ brands, reputation. Some people think foods in supermarket are not fresh, that reflects differently in the research. Price of products in Hapro’s stores is considered high than other competitors.

- **Store services analysis**



Attribute of store services	Excellent	Good	Normal	Bad	Worst
Sale-staff services	7	48	42	3	0
Convenience	32	45	23	0	0
Neatly and cleanness	42	52	6	0	0
Check-out	23	42	34	1	0
After sale services	0	13	70	17	0

Figure 5.8: Customer perception of quality of retailing services in Hapro's stores
 Overall, Hapro's store services are good. After sale services should be considered to change to make customer satisfaction.

5.3.3 SWOT analysis

Strengths

Have a network of stores in Northern region

Hapro brand have good reputation in market

To be supported by government

Weaknesses

The expansion of company's size reduces the efficiency and poor services

Stores have small parking capacity

Lack of capital and advance human resources

Diversity of product is at normal level

Privatised-brand products are low competitive in domestic market

Customer services are estimated at low rate

Opportunities

Expanding capacity will help company have chance to serve more customers

E-Hapro project will finish in next year might help company has good customer services, reduce costs, and offer products and services to customers at lower prices

Threats

The demand both from domestic and foreign customers decreases due to economic recession

The improper care of customer services in retailing made company lose customers to other retailers in domestic market in recent years.

The changing customer make company have difficulties to satisfy their expectation

6. DISCUSSION AND RECOMMENDATIONS

Nobody can satisfy everyone. Therefore, Company has to select its target customers, market segments and then establishes the effective customer care model to meet and exceed its customers' expectation.

The effectiveness of customer care will create customer loyalty and popularity of the company's image and brand in public, therefore enhancing profits. Especially, in this time when economy is in recession, an effective customer care is crucial for a retailer to survive and grow. Obtaining the effective customer care model is not easily but is possible with the below suggestions.

6.1. Discussion and recommendation

Company has been performing well from its foundation. Company will have overall strategies to become the leading retailer in Vietnam retailing market

- Offer to customer products with good quality and affordable price
- Have good supply chain management
- Store diversification
- Focus on targeted market
- Continual improvements

Management commitments: The mission and vision of company

Products

Diversify product lines

Invest to research and development new product

Local outsourcing and imported products

Lower prices

Stores

Diversify store formats

Parking place, trading time

People in company

Creating a fair and friendly working environment to all employees, make them have good attitudes toward customers.

Training professional selling skills for salespeople

Implementing competitions to find out new innovation to reduce cost, improving efficiency.

Giving good compensation for skilled workers, salespeople, and managers

Improve supply chain management

Develop a network of suppliers from domestic and foreign suppliers

Support small local suppliers with capital, know-how

Marketing mix

Improving customer services including to redesign webpage for e-trading both domestic and foreign customer, building call centre for free call.

Build a appropriated after sale services

Advertising Hapro brand with target Hapro is a closed friend and bring value to customers.

Building corporate social responsibility policy

E-Hapro project

Keeping the project finishing on time, company should evaluate the improvements of supply chain management, enterprise resource planning, and customer relationship management

Building the efficient interior communication channel based on internet

Studying successful stories of other retailers to choose the best methods in order to achieve its goals

6.2. Conclusion

The thesis “Attaining an effective customer care model in retailing organisations” has basically figured out the characteristics of an effective customer care model in a Vietnam retailing organisation.

Clearly, retailer has to understand the targeted customers. From the point of view retailer should have good management skills to deal with supply chain, customer relationship, and resource allocation and management in order to make customers satisfy with products and services. In this case study, company needs to improve cost management to lower prices, build friendly working environment and compensate competent employees higher, apply an appropriated system.

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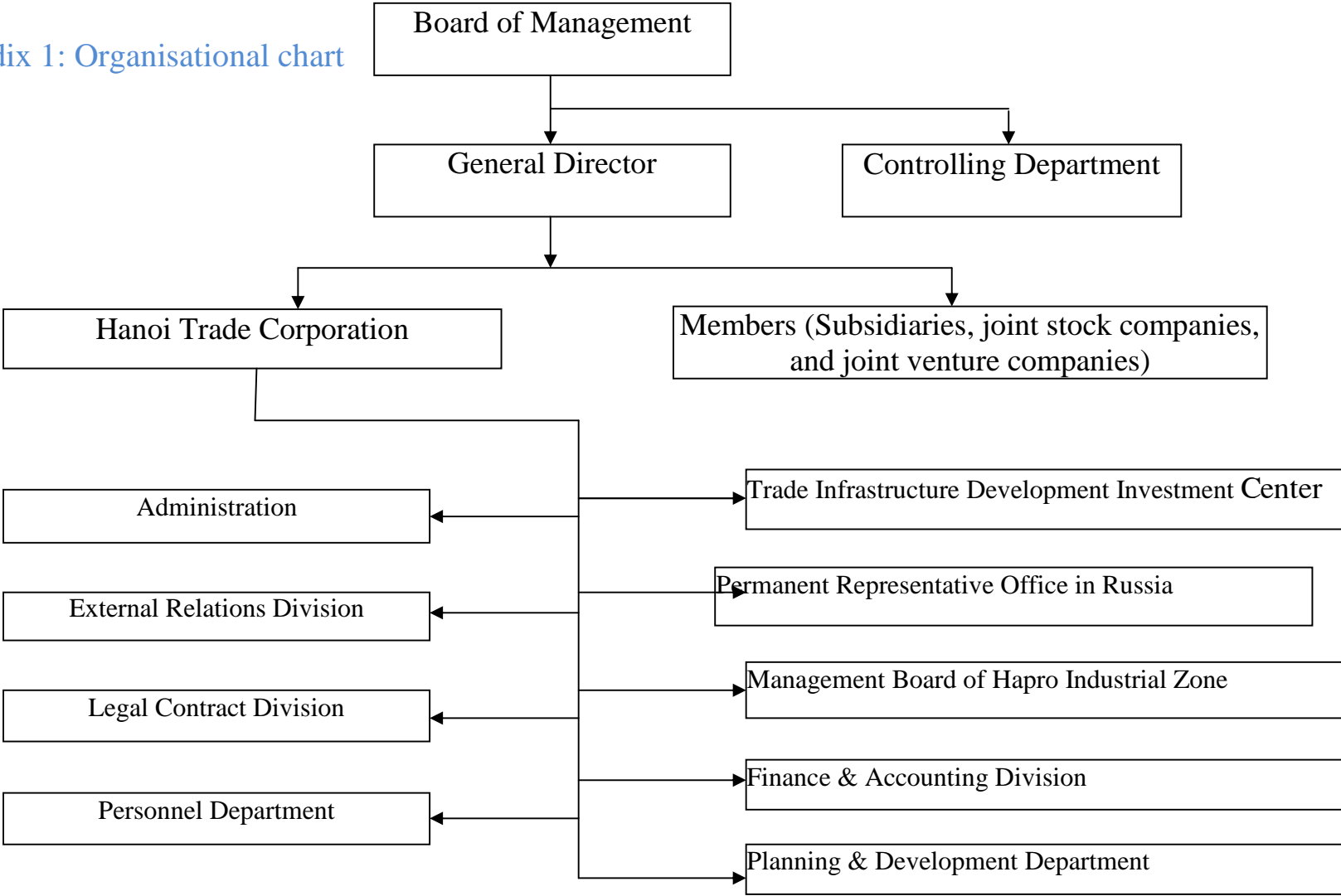
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Appendix 1: Organisational chart



APPENDIX 2: Subsidiaries and Joint Stock Companies



APPENDIX 3: Some indicators of Hapro from 2003 to 2007

No	Indicators	Unit	2003		2004		2005		2006		2007	
			Figures	y/y(%)	Figures	y/y(%)	Figures	y/y(%)	Figures	y/y(%)	Figures	y/y(%)
1	Gross revenue	1000 US\$	192,631.65	153,4	240,440.29	124.82	252,159.11	104.87	270,189.20	107.15	343,140.29	127.00
2	Number of employees	people	5,682	107,3	5,909	104.00	6,146	104.01	6,527	106.20	7,907	121.14
3	Total capital	1000 US\$	7,220.47	142	9,034.80	125.13	9,519.01	105.36	11,634.77	122.23	12,958.27	111.38
	a. Fix capital	1000 US\$	1,369.51	113	1,717.89	125.44	1,828.15	106.42	2,032.83	111.20	2,275.23	111.92
	b. Working capital	1000 US\$	5,850.96	148	7,316.92	125.05	7,690.85	105.11	9,601.94	124.85	10,683.04	111.26
4	Earn after tax and interest	1000 US\$	1,028.74	123,0	1,336.13	129.88	1,449.91	108.52	1,549.80	106.89	1,602.34	103.39
5	Contribution to Government	1000 US\$	9,580.15	147,5	12,852.33	134.16	13,868.75	107.91	14,297.23	103.09	12,843.21	89.83
6	Average salary per month	US\$	57.23	124,2	69.10	120.74	80.82	116.96	109.70	135.74	125.94	114.80
7	Labour productivity (=1/2)	1000 US\$	33.90	142,9	40.69	120.02	41.03	100.83	41.40	100.90	43.40	104.83
8	Profits/Sale (4:1)	%	0.5340	80,1	0.5557	104.06	0.5750	103.47	0.57	99.76	0.47	81.41
9	Return on equity(4:3)	%	2.9497	86,6	2.4576	83.32	2.4373	99.18	2.42	99.11	2.30	95.39
10	Working capital cycles (1:3b)	cycles	33	103,6	33	99.81	33	99.77	28.14	85.82	32.12	114.15

Exchange rate: US\$-VND from 2003-2007

2003	1 USD =	15,553 VND
2004	1 USD =	15,717 VND
2005	1 USD =	15,863 VND
2006	1 USD =	16,055VND
2007	1 USD =	16,145 VND

APPENDIX 4

Interview questions:

I used open questions to understand more about company and it was conducted by email

Question 1: What are your target customers in Vietnam retailing market?

Question 2: What are your plans to keep company growing?

Question 3: What marketing mix programs did company apply to Hapro's stores?

Question 4: What are potential results of E-Hapro to improve the quality of customer care in Hapro's stores?

Major Sources of Primary Information

Hanoi Trade Corporation

38 - 40 Le Thai To,

Hoan Kiem

Hanoi

VietNam

Web: <http://www.haprogroup.vn/english/index.php/homepage.html>

Appendix 5: Questionnaire to customers purchasing in Hapro's stores

1. Please indicate your Age group.

- 15 to 25 Yrs. 26 to 35 Yrs. 36 above

2. Please indicate your work status

- Housewife Working Others (Please specify).....

3. Please indicate your shopping frequency a week at Hapro's stores

- <1 1-2 3-5 >5

4. Characteristics of Hapro's Stores in terms of food product (**please note: 1= Strongly agree, 5= strongly disagree**). Use numbers from 1 to 5 to show how you evaluate

High assortment..... Safety.....

Fresh..... Low price.....

Packaging.....

5. Characteristics of Hapro's Stores in terms of services (**please note: 1= excellent, 2= good, 3=normal, 4=bad and 5= worst**) Use numbers from 1 to 5 to show how you evaluate

Sale-staff services..... Neatly and Cleanness.....

Convenience..... Check-out.....

After sale services.....

Thank you for your time and have a wonderful day!